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# World Production and Trade

United States  
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Foreign  
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Service

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Weekly  
Roundup

WR 41-85

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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

## GRAIN AND FEED

Larger-than-expected SOUTH AFRICAN corn export availabilities resulting from higher domestic production and lower domestic consumption may intensify competition in the global feed grain market in 1985/86 (October-September). According to the U.S. agricultural counselor in Pretoria, South Africa is expecting a corn harvest of roughly 9.0 million tons in April 1986, which would mean exportable supplies of 2.6 million tons for the May-April 1986/87 marketing year, competing with the current U.S. crop. Corn production in South Africa fell to about 4.2 million tons in 1984 and 1985 because of severe drought, making South Africa a large net corn importer for the first time. Partially recovered production has allowed South Africa to resume its long-term grain agreement with Taiwan and to make sales to both Taiwan and Japan.

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SPANISH barley exports have reached record levels, putting Spain in direct competition with the European Community for barley markets in the Mediterranean Basin and the Middle East. A record 1984 barley crop and a near-record 1985 crop depressed domestic prices, putting pressure on the Spanish government to export the surplus. Large export subsidies equivalent to \$55-\$65 per ton have been needed to compete successfully in the international market. Spain has already exported 850,000 tons of barley thus far in July-June 1985/86 and expects exports to reach 1 million tons soon. The 1984 and 1985 barley crops averaged almost 10 million tons compared with an average of about 6 million tons over the five previous years. Spain has traditionally been only a very sporadic barley exporter.

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The EUROPEAN COMMUNITY (EC) has suddenly increased the quantity of wheat authorized for export at its weekly tender, at sharply higher restitution (export subsidy) levels. The weekly wheat subsidy to all zones nearly doubled during September to 67 European Community Units (ECUs), about \$56, per ton, the highest level since April 1983. An additional, special flat-rate subsidy was set for Algeria at 78 ECUs (\$65) per ton.

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The weakening dollar, which declined 7.5 percent against the ECU last week, makes U.S. grain more price competitive while amplifying the rising EC subsidies in dollar terms. EC restitutions are expressed in ECUs and a weakening dollar means that more dollars are necessary to equal each ECU. The authorizations of 500,000 tons during the week of September 23-27 under the weekly tender system to all zones compares with only 174,000 tons issued during the first 16 weeks of the 1985/86 season. It brings total weekly authorizations to 674,000 tons, compared with 4.1 million tons issued by this time last year.

#### OILSEEDS AND PRODUCTS

The estimate for INDONESIAN palm oil exports has been increased to 350,000 tons, up from 120,000 tons, because of a reduction in domestic demand. Indonesia has recorded sales of refined, bleached and deodorized palm oil and stearin, as well as crude palm oil to India, Pakistan, Egypt and the USSR. Indonesian palm oil production continues to rise, with faster increases expected in the coming five years owing to expansion of planted area. This will dampen U.S. vegetable oil export prospects, especially to the important South Asian market.

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Prolonged dry weather in INDIA's major peanut producing states of Gujarat, Andra Pradesh, Maharashtra and Madhya Pradesh has cut INDIA's estimated peanut output sharply to 6.3 million tons, compared with the 7.0 million tons estimated earlier, according to the U.S. agricultural counselor in New Delhi. As a result, peanut oil and meal supplies will be down. Drought has also demolished hopes for a soybean output in excess of USDA's current 850,000-ton estimate. As a result of the drought, an anticipated seasonal increase in demand for vegetable oil and greater availability of palm oil from Indonesia, vegetable oil imports are likely to increase in the coming months.

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TURKEY has exempted palm oil from import duties. Formerly, palm oil was subject to an import duty of 20 percent (ad valorem). Turkey is becoming an important market for U.S. soybeans and has been forecast to import 75,000 tons in 1986. This policy change could affect U.S. soybean market potential. In recent years, Turkey's imports of palm oil have been steadily increasing.

#### DAIRY, LIVESTOCK AND POULTRY

Milk production in SPAIN in 1985 is forecast at 6.4 million tons, 2.5 percent above 1984, according to the U.S. agricultural counselor in Madrid. This production increase is based on higher yields per cow, continued genetic improvements and a more favorable milk-feed price ratio.

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In September 1985, the Spanish dairy industry began adapting to EC standards in preparation for joining the Community. As part of that standardization process, milk will be priced according to quality. Fat and protein levels will have to be above 3.2 and 3 percent, respectively. During the EC accession negotiations, the milk production quota for Spain in 1987 was set at 5.4 million tons.

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Milk production in POLAND is expected to decline in 1985 and 1986 because of reduced milk cow numbers, according to the U.S. agricultural counselor in Warsaw. Producer milk prices remain too low to encourage farmers to hold dairy cattle. In 1985, milk output is expected to fall 3 percent to 16.3 million tons despite a 4-percent drop in milk cow numbers as good weather conditions for pastures and fodder crops resulted in higher milk yields per cow. In 1986, milk production is forecast to decrease an additional 5 percent based on a continued decline in milk cow numbers.

#### TOBACCO

On September 19, a major British cigarette manufacturer announced the permanent reduction of 429 workers from four of its U.K. plants. This announcement comes after a previous announcement by the same firm of a 1,200-person job cut earlier this year. With two other companies announcing cuts of 3,540 positions earlier this year, this brings job reductions in the U.K. cigarette industry to nearly 5,200 this year. Cigarette output in the United Kingdom has fallen from 155.6 billion pieces in 1980 to 130.5 billion in 1984. Increased taxes and a very active anti-smoking program are responsible for the decline. This trend in the long run will likely decrease exports of U.S. unmanufactured tobacco to the United Kingdom.

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CANADA's four major tobacco manufacturers have applied to the Supreme Court of Canada for an injunction to reopen public hearings concerning the proposal to establish a national tobacco marketing agency. This action has delayed the formal submission by the National Farm Products Marketing Council (NFPMC) of the proposed plan to the Minister of Agriculture. As a result, the findings of the NFPMC will be withheld pending the Court's decision. The Canadian Tobacco Manufacturers' Council, which filed the injunction, speculates that cigarette manufacturers would have to pay more for the raw product if the findings of the NFPMC are adopted. Both the United States and Canada are trying to deal with the problem of overpriced tobacco. The eventual impact of the Canadian action on the U.S. export market is unclear; however, the actions are in marked contrast to the actions taken here.



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Selected International Prices

Item	:	Oct. 8, 1985	:	Change from	:	A year
	:		:	previous week	:	ago
ROTTERDAM PRICES 1/		\$ per MT		\$ per bu.		\$ per MT
Wheat:						
Canadian No. 1 CWRS-13.5%.		174.50		4.75	--	189.50
U.S. No. 2 DNS/NS: 14%....		163.00		4.44	0	174.75
U.S. No. 2 S.R.W. ....		133.75		3.64	+1.75	158.00
U.S. No. 3 H.A.D.....		163.00		4.44	+1.00	188.00
Canadian No. 1 A: Durum...		N.Q.		--	--	209.00
Feed grains:						
U.S. No. 3 Yellow Corn....		109.00		2.77	-4.50	134.75
Soybeans and meal:						
U.S. No. 2 Yellow.....		202.75		5.52	-3.65	240.00
Brazil 47/48% SoyaPellets		180.00		--	+4.00	182.00
U.S. 44% Soybean Meal....		167.00		--	+3.00	166.00
U.S. FARM PRICES 3/						
Wheat.....		108.02		2.94	-.73	126.02
Barley.....		58.71		1.30	--	85.89
Corn.....		88.19		2.24	-2.76	108.48
Sorghum.....		81.13		3.68 2/	-.66	91.49
Broilers 9/.....		1054.24		--	+24.25	1097.45
EC IMPORT LEVIES						
Wheat 5/.....		107.00		2.91	+4.05	51.05
Barley.....		101.45		2.21	+3.50	48.35
Corn.....		91.85		2.33	+4.20	43.90
Sorghum.....		103.25		2.62	+.35	63.00
Broilers 4/ 6/ 8/.....		N.Q.		--	N.Q.	N.Q.
EC INTERVENTION PRICES 7/						
Common wheat(feed quality)		154.60		4.20	+2.10	136.85
Bread wheat (min. quality)		165.10		4.49	+2.20	146.25
Barley and all						
other feed grains.....		154.60		--	+2.10	136.85
Broilers 4/ 6/.....		N.Q.		--	N.Q.	N.Q.
EC EXPORT RESTITUTIONS (subsidies)						
Wheat .....		58.65		1.60	+1.85	N.A.
Barley.....		67.05		1.46	+4.40	20.60
Broilers 4/ 6/ 8/.....		N.Q.		--	N.Q.	N.Q.

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Twelve-city, wholesale weighted average. N.A.=None authorized. N.Q.=Not quoted. Note: Basis November delivery.